



California Public Utilities Commission

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News Release

FOR IMMEDIATE RELEASE

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PUC VOTES TO OPPOSE PROPOSITION 90

SAN FRANCISCO, September 21, 2006 - The California Public Utilities Commission (PUC) today voted unanimously to oppose Proposition 90 on the November ballot, stating that it could raise customer rates significantly by increasing the cost of utilities doing business, as well as raise the Commission's costs as a public agency.

Proposition 90 would amend the California Constitution to limit government authority to take ownership of private property by using the power of eminent domain. It would also expand the circumstances in which government must compensate property owners for reduction in property value.

The Commission falls within the definition of "government" in Proposition 90 and certain Commission actions could potentially trigger the compensation provisions of the Proposition. For example, it is possible that Proposition 90 could require the Commission to pay compensation whenever it adopted a new resolution, law, rule, or regulation that caused "substantial economic loss" to a property owner.

"Proposition 90 is unnecessary and if enacted by California's voters in November, it will almost certainly result in real harm to the ratepayers of our investor-owned utilities," said PUC President Michael R. Peevey. "Proposition 90 would preempt a clear, efficient, and cost-effective procedure now in place for utilities seeking to take property by eminent domain."

Roughly a dozen classes of utilities have the power of eminent domain to serve utility customers. The provision in Proposition 90 giving property owners the right to insist on a jury trial on the question of whether a proposed eminent domain action seeks to acquire property for a "public use," authorized by the Proposition could delay and increase the cost of utility acquisition of property through the eminent domain process.

The Commission determined that Proposition 90 will almost certainly inhibit and significantly increase the costs of traditional governmental activities. While some property owners

may benefit from restrictions on the government's ability to take property for use by private companies, almost all Californians are in the long run likely to be adversely affected by the vast expansion of circumstances in which governments must pay compensation to property owners alleging that government action – however important - affected their property values.

The Commission determined that issues of eminent domain and compensation for government takings are complex and ill-suited for action through the initiative process.

“Proposition 90 is a meat-axe used to solve a problem, when what is required is a scalpel,” said PUC Commissioner John Bohn.

The Commission and regulated utilities with eminent domain power may be subject to an obligation to pay compensation to private property owners for certain economic losses that may arguably result from normal activities, although the extent of this potential liability is uncertain, due to the ambiguity in the language of Proposition 90.

A memo on this issue is available on the Commission's website at <http://www.cpuc.ca.gov/Published/Report/59788.htm>.

For more information on the PUC, please visit www.cpuc.ca.gov.

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